

**REPORT OF THE AUDIT OF THE
WOODFORD COUNTY
CLERK**

**For The Year Ended
December 31, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WOODFORD COUNTY CLERK

**For The Year Ended
December 31, 2007**

The Auditor of Public Accounts has completed the Woodford County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$105,796 from the prior year, resulting in excess fees of \$596,597 as of December 31, 2007. Revenues increased by \$148,378 from the prior year and expenditures increased by \$42,582.

Report Comments:

- 2007-1 The County Clerk Failed To Provide Complete And Accurate Financial Statement
- 2007-2 The County Clerk Should Properly Report Delinquent Tax Bills Collected
- 2007-3 The County Clerk Should Properly Report And Pay Affordable Housing Trust Fund Collections
- 2007-4 The County Clerk Should Ensure That Bank Reconciliations Are Accurate
- 2007-5 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Coyle, Woodford County Judge/Executive
The Honorable Corine Woolums, Woodford County Clerk
Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Woodford County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2008, on our consideration of the Woodford County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable John Coyle, Woodford County Judge/Executive
The Honorable Corine Woolums, Woodford County Clerk
Members of the Woodford County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-1 The County Clerk Failed To Provide Complete And Accurate Financial Statement
- 2007-2 The County Clerk Should Properly Report Delinquent Tax Bills Collected
- 2007-3 The County Clerk Should Properly Report And Pay Affordable Housing Trust Fund Collections
- 2007-4 The County Clerk Should Ensure That Bank Reconciliations Are Accurate
- 2007-5 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Woodford County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 14, 2008

WOODFORD COUNTY
CORINE WOOLUMS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Fees For Services \$ 10,544

Fiscal Court 79,797

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers \$ 777,350

Usage Tax 2,389,953

Tangible Personal Property Tax 2,087,367

Other-

Fish and Game Licenses 9,886

Marriage Licenses 5,750

Beer and Liquor Licenses 400

Deed Transfer Tax 161,067

Delinquent Tax 171,199 5,602,972

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts 18,246

Real Estate Mortgages 70,793

Chattel Mortgages and Financing Statements 58,322

Powers of Attorney 3,372

All Other Recordings 38,997

Charges for Other Services-

Copywork 31,418 221,148

Other:

Miscellaneous 3,745

Interest Earned 9,947

Total Revenues 5,928,153

The accompanying notes are an integral part of this financial statement.

WOODFORD COUNTY
 CORINE WOOLUMS, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2007
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 549,887	
Usage Tax	2,316,445	
Tangible Personal Property Tax	826,183	
Licenses, Taxes, and Fees-		
Fish and Game Licenses	9,589	
Delinquent Tax	21,361	
Legal Process Tax	23,033	
Affordable Housing Trust	29,604	\$ 3,776,102

Payments to Fiscal Court:

Tangible Personal Property Tax	150,541	
Delinquent Tax	10,713	
Deed Transfer Tax	160,916	322,170

Payments to Other Districts:

Tangible Personal Property Tax	1,026,304	
Delinquent Tax	87,639	1,113,943

Payments to Sheriff 2,122

Payments to County Attorney 26,851

Other Charges-

Miscellaneous	3,100	
Refunds	7,471	10,571

Total Expenditures \$ 5,251,759

Net Revenues 676,394

Less: Statutory Maximum 76,197

Excess Fees 600,197

Less: Expense Allowance 3,600

Excess Fees Due County for 2007 596,597

Payments to Fiscal Court - Monthly 598,494

Balance Due From Fiscal Court at Completion of Audit \$ (1,897)

The accompanying notes are an integral part of this financial statement.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Woodford County Clerk is required by the Fiscal Court to participate in a fee pooling system. Fee officials who are required to participate in fee pooling deposit all funds collected into their official operating account. The fee official is responsible for paying all amounts due to the taxing districts. Residual funds are then paid to the County Treasurer on a monthly basis. Invoices are submitted to the County Treasurer to document operating expenses. The County Treasurer pays all operating expenses for the fee official.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Woodford County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2007
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Woodford County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John Coyle, Woodford County Judge/Executive
The Honorable Corine Woolums, Woodford County Clerk
Members of the Woodford County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Woodford County Clerk for the year ended December 31, 2007, and have issued our report thereon dated July 14, 2008. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Woodford County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies, 2007-4 and 2007-5, described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies, 2007-4 and 2007-5, described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Woodford County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items: 2007-1, 2007-2, and 2007-3.

This report is intended solely for the information and use of management, the Woodford County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 14, 2008

COMMENTS AND RECOMMENDATIONS

WOODFORD COUNTY
CORINE WOOLUMS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

2007-1 The County Clerk Failed To Provide Complete And Accurate Financial Statement

During the course of our audit, we noted that the disbursements ledger did not agree to amounts reported per the 4th Quarter Report. KRS 68.210 requires the official to have an accurate recording of expenditures by payee. We recommend that the County Clerk comply with KRS 68.210 by requiring the accurate recording of disbursements. We further recommend that the County Clerk ensure compliance with KRS 68.210 by comparing disbursements to the bank reconciliation on a monthly basis to ensure agreement.

County Clerk's Response: None

2007-2 The County Clerk Should Properly Report Delinquent Tax Bills Collected

During our audit, we discovered the County Clerk did not report all delinquent taxes collected and pay all amounts due to taxing districts and others for these delinquent taxes. KRS 134.480(2) requires the County Clerk to report all delinquent taxes collected and pay the amounts due to the state, the county treasurer, and the taxing districts every 30 days. While the Clerk submitted monthly reports, they were not accurate and did not contain 25 delinquent tax bills, totaling approximately \$30,000 that were collected during the year. We recommend the County Clerk comply with KRS 134.480(2) by ensuring all delinquent tax reports are accurate and contain all delinquent tax bills collected. Also we recommend the Clerk file an amended report for the 25 tax bills not reported and pay the districts the amounts due.

County Clerk's Response: None

2007-3 The County Clerk Should Properly Report And Pay Affordable Housing Trust Fund Collections

During our audit, we discovered the County Clerk did not report and pay the amounts due for the Affordable Housing Trust Fund, for the fourth quarter of 2007. KRS 64.012 requires the clerk to collect \$6 for the Affordable Housing Trust Fund on certain recordings. The County Clerk shall remit the amount collected each quarter to the Affordable Housing Trust Fund within ten days following the end of the quarter in which the fee was received. Each remittance must be accompanied by a summary report on a form prescribed by the Kentucky Housing Corporation. We recommend the County Clerk report and remit the amount collected for the fourth quarter of 2007 and in the future ensure all reports and payments are made timely.

County Clerk's Response: None

WOODFORD COUNTY
CORINE WOOLUMS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007
(Continued)

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2007-4 The County Clerk Should Ensure That Bank Reconciliations Are Accurate

During our audit, we noted that bank reconciliations were being performed, although they did not always appear accurate. Bank reconciliations should be performed every month and should be compared to the receipts and disbursements ledger. Any variances should be resolved. We recommend that the County Clerk ensure that bank reconciliations are accurate. We further recommend that the County Clerk compare monthly bank reconciliations to the corresponding receipts and disbursements ledger to ensure agreement.

County Clerk's Response: None

2007-5 The County Clerk's Office Lacks Adequate Segregation Of Duties Over Receipts

The County Clerk's Office lacks adequate segregation of duties over cash receipts. All employees are in the position to collect money throughout the day, including those with bookkeeping functions, resulting in no segregation between the collection, recording, and reconciliation of receipts. In order to improve internal controls over receipts, we recommend the clerk segregate duties as much as possible and implement compensating controls (examples follow) to help offset the lack of segregation of duties.

- The County Clerk should periodically recount all receipts and agree this back to the daily checkout sheet and bank deposit. The Clerk should initial both the daily checkout sheet and deposit to show agreement.
- The County Clerk should periodically agree the daily checkout sheet to the receipts ledger to ensure accuracy. The Clerk should initial both the daily checkout sheet and the receipts ledger to show agreement.
- The County Clerk should compare the monthly bank reconciliation to the receipts ledger for agreement. Any variances should be reconciled. The Clerk should initial the bank reconciliation and the receipts ledger to show agreement.
- The County Clerk should compare the receipts ledger to the 4th quarter report to ensure accuracy. The Clerk should initial the 4th quarter report and receipts ledger to document comparison.

County Clerk's Response: None

